TRAINING GUIDE

FOUNDATION COURSE FOR LOCAL CREDIT IN ROMANIA

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Introduction

1. Background

During the past several years, the Romanian Government has laid the foundation for a system of local government credit with the passage of three laws that are the cornerstones of the legal framework for a system of local credit. These laws -- Law on Local Public Finance, the Law on Public Property Rights, and the Law on Concessions -- were passed in 1998 and implemented in 1999, albeit with some confusion and missteps. The implementation of the Law on Local Public Finance in 1999 has been problematic because of the failure to establish rules that will provide reasonably stable revenues for local governments for the near term. Similarly, although the Law on Public Property Rights has been passed, it is still unclear whether municipalities can use private domain property (e.g. land and buildings) as collateral for loans. Despite these early difficulties, local governments feel it is now much more likely that they will qualify for loans. They also recognize that they now are responsible for financing infrastructure investments and will no longer receive central government subsidies.

This training course is designed to address the needs of local authorities to ready them for their entry into the Credit Financing arena.

2. How this Foundation Course was developed

In order to create a program relevant to the needs of local authorities in Romania, many local resources were consulted with and provided input to the training designers. During a two week consultancy, the authors gathered the necessary data and input by performing:

A. *Interviews with key informants* -- these discussions yielded information about the expectations of any training developed for local authorities and the specific skill and knowledge needs potential participants have.

B. *Site Visits to Local Councils, Judets and Regii* -- in order to appreciate the real life municipal financing situations facing local authorities, site visits were conducted to learn about the ways in which financing may support local development agendas, how existing financing schemes are working and the evolving relationships between local authorities and the Regii.

C. *Review of existing documentation* -- the authors reviewed all existing resources that articulate the Laws and Policies developed to date that support local credit, the progression of activities to strengthen local government capacity to enter the finance market as commissioned by USAID and in addition, technical resources provided by the Urban Institute on municipal credit.

3. Assumptions

This course design makes several assumptions about the resources that will be provided to deliver the program in terms of the setting in which the training will take place and the facilitators who will conduct the course.

A. Setting

This training program will be conducted on a regional basis, ensuring that local authorities in the region can easily attend the course without undue hardship on their work or private lives. The course is intended to be residential.

The course venue should allow for a large training room, comfortable enough for up to 20-25 participants to work individually and in small groups without overcrowding. Given that the participants will be working in this room for three days, there should be ample natural sunlight and plenty of wall space on which to post products of the sessions on flipchart paper throughout the course of the training.

B. Facilitators

The facilitators should have considerable experience in organizing and facilitating training programs using active, participatory adult learning methods. In addition, it is assumed that at least one of the facilitators have extensive background and experience in the field of municipal credit.

The teaching techniques used in this program are meant to involve the participants in the learning process as much as possible; i.e. the hands-on approach. This means that it is important that the answers to key questions come from the participants not the facilitator. In other words, it is anticipated that learning will take place through a process of discovery and active participation, not through lecture and passive observation. For this method to be effective, it is necessary that the facilitator motivate the participants to take part in the exercises.

4. Course Overview

This course is a 3-day training program, with each day including approximately 8 hours of instruction, excluding breaks. All session and lesson times are notional and the facilitators should be flexible, making adaptations to time as needed. They should write a brief report at the end of each session noting what worked well and what did not work well and suggest appropriate modifications to the content or methodology for future reference. The program should be designed to accommodate change when called for and not be rushed.

At the start of each day s session, the activities of the previous day can be reviewed by asking a participant to summarize what was done and what was learned. Each day the participants should be reminded about the purpose of the program so that they do not lose sight of the overall objective of the training. Also, the facilitators should continuously show the linkage between each session. In this way important messages are continually being reinforced. At the close of each day s session, time can be reserved for questions, answers and comments.

5. Overall Program Goals

The overall goal of the program is to equip the local authorities with a foundation of understanding about the process of engaging in local credit. The flow of the program is designed to be delivered in the sequence presented so as to build knowledge and skill progressively and cumulatively.

The overall course goals are to:

1. Provide an overall understanding of borrowing including the benefits and risks.

2. Review the key steps in preparing to borrow-- determining how much you can afford to borrow and how to choose the right project.

3. Discuss how to arrange for credit financing with a lender.

4. Determine what is required after the loan is secured.

5. Develop a plan to continue learning about local credit and to apply what you have learned.

In addition, each session has specific learning objectives.

6. Workshop Schedule

Workshop schedule follows.

Day One	Day Two	Day Three
11:00 am Open/Welcome Getting Started Activity Overview of Credit Financing Framework Course Objectives Agenda Guidelines for Working Together	8:30 am Open/Agenda Session 3: Preparing to Borrow Debt Carrying Analysis Capital Investment Planning	Session 5: Post Borrowing Communicating about the Loan Monitoring the Loan Terms and Conditions
Lunch	Lunch	Lunch
Session 2: Understanding Borrowing Case Study Work	Session 4: The Borrowing Process Presenting to a Bank Negotiating a Loan	Session 6: Lessons Learned and Application Planning

7. Using this Guide

This guide is designed to provide you with the direction and content you need to effectively facilitate this three day program. Sessions are presented with their overall time and each part has a time allocation to the left of the instructions in parentheses, for example (10 min) so you can know how much time it should take to complete that segment of the session. In addition, information that should be presented either on flipchart or overhead transparency appears in a box at each point you have a need for one.

The guide has two parts: the trainer guidelines that are intended for the trainers and the participant workbook.

- The trainer guidelines contain all the steps and content to conduct the course. Presentation material is provided along with detailed instructions on how to deliver the content.

- The participant workbook contains all the handouts that the participant will receive. In many cases the handouts contain the same information as the presentation notes. This will reduce the amount of note-taking necessary and allow the participants to focus on the explanation. Also included are worksheets for capturing lessons learned at the end of each session.

8. What should you do before the workshop?

There are several actions to complete before you begin the workshop.

1. **Read through all the course materials including facilitator s guide, participant workbook and the Credit Financing Handbook.** Make sure you are clear about all the content and the instructions for conducting this workshop. Read each step in the workshop design so you will be prepared to facilitate this workshop. Take time to prepare for the workshop by reviewing the facilitation skills you have learned and the feedback you received in the train the trainer course that prepared you for this workshop. You want to feel well prepared and relaxed when you conduct the workshop.

2. **Prepare for the workshop with your co-trainer.** Meet together for at least one day of preparation to review all course materials, clarify your understanding of the course overall and divide up parts of the course for which you will take the lead.

3. **Review the list of materials.** During the workshop you will need to distribute some handouts, so copy them before the session. You will also need to prepare flipcharts you will use during the session. Make sure your completed flipcharts can easily be read from the back of the room. Write with dark colored markers and underline with lighter colors.

4. **Set-Up Room:** Either the night before the course starts or early the morning of the first day, arrange the room in either a semi-circle where everyone can see each other or at tables where they can participate in small group discussions. Place flipchart stands in the front of the room where everyone can see them. Hang the prepared flipcharts you will be using in the order of your presentation. Put a folder with plain paper and pen or pencil at each participant's place.

Day 1

Session I **Introduction** **1.5 Hours**

Begin at 11:00 am.

10 min. 1. **Welcome/Introductions**

Welcome the group, exhibiting an energetic and positive tone. Make the following points, briefly:

The topic of this course is important given the increasing role of municipal credit in financing projects in Romania.
This course is an introductory course intended to lay the foundation for more, in-depth training.

Recognize that we have a mix of people in the room, from across the region and we want to know quickly who is here. Ask participants to briefly introduce themselves by providing the following information:

TName **T**Where you are from **T**Role/position you have (e.g. Mayor, Fin Dir)

45 min. 2. **Getting Started Activity**

Trainer note: This activity is designed to set the tone for an interactive training session, to help participants begin to talk openly with one another and to initiate conversation about the topic in a light and energizing way. Prepare half sheets of flipchart paper with one of the statements on each and post them on the walls around the room, with the bottom of the page folded up over the top so as to cover up what is written. You will unveil each piece during the activity..

Tell participants that we want to begin this program with an activity that:

Getting Started **T**Sets the tone for our work together **T**Participatory **T**Focuses us on our topic **T**Fun!

Ask participants to think individually about getting involved in municipal credit, or their experience with municipal credit to date. Ask: What thoughts and feelings do you have about entering this process? Give them a minute to think and make some notes on Page 1 of their workbook.

Tell them you will now unveil a series of statements on flipchart. Read them out loud as you walk around the room and unveil them, asking Is entering the municipal credit market like _______? or is it like _______, and so on. Next, show the following visual aid:

> Choose the statement that best characterizes your feelings about entering the municipal credit market:
>
> Entering the credit market is like:
>
> **p** Driving into a tunnel without headlights
> **p** Seeing a pot of gold at the end of the rainbow
> **p** Playing poker with professional gamblers
> **p** Being asked to use a computer when you don t know how to type
> **p** Knowing you could cook a really great meal if you only had the recipe and the right ingredients
>
> Go stand next to the statement that best captures your feelings.

Trainer note: Ideally, you will have small groups of people gathered at most or all of the statements. If a group is over 5 people, divide them in half for the next task. If someone is alone, give the task and then one of the trainers could go talk to them.

When the groups are formed, give the following task:

> Small group task:
>
> < Introduce yourselves again to those in your group.
> < Each person says why s/he chose the statement, how it is like entering the credit market for you.
> < Note any similarities or differences in what you all have said and be prepared to share some of your conversation with the large group.

Give the groups about 10 minutes for this conversation.

Next, get examples from each of the small groups of what they talked about. Ask: What are some of the things your group talked about in terms of why you chose that statement?

Move from group to group getting highlights of their conversation and once all have reported, ask participants to sit down again.

Summarize briefly what people have said about their thoughts and feelings about entering the municipal credit market. Acknowledge that each of us may have a different perspective on entering the credit market.

35 min. 3. **Course Goals, Agenda, and Guidelines for Working Together**

Say that this course is intended to build your confidence and competence by grounding you in the basic elements of the process of obtaining municipal credit. The overall process is an important starting point so you can appreciate everything that s involved and be aware of what you could/should be paying attention to along the way.

Present the 4 basic elements.

Credit Financing
1. Understanding Credit Financing
2. Preparing to Borrow
3. The Credit Financing Process
4. Post-Borrowing

As you go through these four elements, explain that each part has to do with the following: (Tell participants that this framework is in their workbooks on pages 2-3.)

Understanding Borrowing

1. What is borrowing and how does it work?
   - < Basic calculations in financing (estimating loan payments)
   - < Legal framework -- how the new laws create opportunity and

responsibility

< Alternative means of borrowing (project finance, general obligation)

< External and internal sources -- capital markets and international investors

2. Why should I borrow?

< Benefits

< Risks

Preparing to Borrow

3. How do I determine how much I can borrow?

< Financial analysis

< Debt carrying capacity

< Sources of revenues for repayment -- what fees and taxes can be used ?

4. How do I select what I borrow for?

< Capital investment planning -- economic development over the long term

< Choosing the right project -- criteria for prioritization of projects

< Role of citizen participation -- how to inform and engage the citizens

5. How do I design a technically and financially sound project?

< Feasibility studies

< Role of engineering and financial consultants

< Role of the local service provider

The Borrowing Process

6. How do I approach a lender?

< Preparing a prospectus - presenting a sound project package

< Developing a business plan

< Choosing from among lenders

7. What does a financing deal look like?

< Loan application process - steps involved

< Laws to attend to at this stage

8. How do I negotiate a loan?

< Protecting the interests of the city

< Negotiating terms the city can live with
< Facilities banks can and cannot offer

Post Borrowing

9. How do I communicate the loan to all stakeholders?

10. How do I monitor the loan?
    < Relationship with the local service provider
    < Compliance with terms and conditions
    < Project monitoring

11. How do I ensure that I will have the continuing capacity to meet loan repayment obligations?
    < Preparing a multi-year financial strategy
    < Financial policies - what they are, how they can help me

Talk about how the course follows these four elements, and our objective is to give you an orientation to them. There are follow up courses that go in-depth into these elements, dealing with the specific how to s and skills needed.

Review the goals of this course. Note that they are on page 4 of the participant workbook.

Overall Course Goals

1. Provide an overall understanding of borrowing including the benefits and risks.

2. Review the key steps in preparing to borrow--determining how much you can afford to borrow and how to choose the right project.

3. Discuss how to arrange for credit financing with a lender.

4. Determine what is required after the loan is secured.

5. Develop a plan to continue learning about local credit and to apply what you have learned.

Next, refer to the schedule (page 5 of the workbook) and talk through the sequence of sessions briefly to demonstrate to the participants where each objective will be covered, clarify starting and ending times, and answer any questions they may have about either the objectives or schedule.

Trainer note: Next, you will develop some Guidelines for Working Together. These are intended to be behavioral norms for the group that will support an effective learning environment for the participants.

Present the following Guidelines for Working Together in the workshop. Then ask participants if there is anything they would add based on their own experience.

Guidelines for Working Together

L Start/end on time
L Participate
L Ask questions
L One person talk at a time
L

At the conclusion of this exercise, break for lunch!

Session 2 **Understanding Borrowing** **3 Hours**

Session Objectives:

5 min 1. **Introduction**

Explain that this session will provide an overall understanding of borrowing. Specifically the session will focus on the following:

Session objectives
< Review the legal framework for local credit
< Discuss the basic considerations in credit financing
< Present the basic reasons why you should borrow and why you should not.

15 min 2. **Review of Progress in Municipal Credit**

Begin with a brief presentation recapping the progression of events and enablers that have created a climate conducive to credit financing at the municipal level. Specifically, mention that there are now several legislative and policy frameworks enabling local borrowing:

Key laws
- Law on Local Public Finance - Patrimony Law - Law on Concessions

To elaborate on these three, state that:

The Law on Local Public Finance has established the authorities and accountabilities on the part of municipalities when securing credit to fund local projects.

The Patrimony Law has transferred ownership of properties to local governments which then can be used as collateral in lending situations.

The Law on Concessions clarifies the working relationships that can exist between local authorities and the regias.

25 min. 3. **Small Group Task**

Provide participants a chance to talk about the implications of these laws by giving the following task: (Participants can use page 6 of their workbook for this task)

Discuss in your table groups:

< What are the benefits of each of these laws?

< What are the limits of each of these laws?

You have 15 minutes.

Acknowledge that the interpretation of these laws may be in question but the enabling environment has been created by virtue of this progress.

Next, get a sense of the participants thinking about the status of the municipal lending environment by asking:

- What do you know about where local lending has occurred?
- What stories have you been told about what happened?

Take some answers from a few people and summarize the range of experiences or stories that are happening in Romania.

If it doesn t come up in the large group discussion, note that a key change is that while lending thus far has had state guarantees, now we are moving to a situation where municipalities will be guarantors of regia lending or will be borrowing on their own.

Acknowledge also that there are currently a number of potential means of supplementing the resources available to you at the local level:

Options for Supplementing Local Resources
p Grants **p** Bonds **p** Borrowing

This course focuses only on borrowing. Point out that there are, when borrowing, a number of possible sources of financing as well:

Sources of Borrowing
˜ Domestic banks ˜ Foreign banks ˜ International lending institutions (e.g. EBRD)

This course focuses on borrowing from private banks, most of which are expected to be domestic, although many of the key principles will also be applicable to international banking institutions and foreign banks.

It looks at borrowing from two perspectives. The first is the case when the local or judet council itself is the borrower. The second is the case when a *regia* or other local company is the borrower and the local or judet council provides a guarantee.

Ask if participants have any questions about what has been presented thus far before moving on.

70 min. 4. **Case Study work - Part I**

Trainer note: The purpose of using the case study is to give the participants an opportunity to do some analytical thinking and apply what they are learning in the course to a real life situation. The case will be used in four parts, with each part building on the scenario that preceded it. In this way, participants can follow the story of a municipality as it goes through the decisions and processes associated with municipal financing.

The first part of the case is about a situation where borrowing could be the right decision. The case study work at this stage occurs in two steps, first the participants read the case and respond to some questions individually. After sufficient time has *passed for completion of this task, participants are then asked to work in small groups to share their analysis and discuss their various views of the situation. The following steps outline the process for working with the case study.*

5 min. Step 1: Introduce the Case Study

Tell the participants that we are going to work with a case study to begin to examine situations where credit financing might be considered. Provide an overview of the case situation, that this is a municipality facing a decision about pursuing a loan to finance a key project. Introduce the main characters using the following:

Municipality name: Raisa Population: 100,000 Mayor: Dimitri Suvitch Finance Director: Cristiana Calin Technical Director: Victor Nicolescu Water Regia General Manager: Philip Ionescu

20 min. Step 2: Individual task

Give participants their individual task:

Individually: 1. Read the case study 2. Answer the questions at the end: **T**Why did the city make a yes decision? **T**What more did they need to know in order to come to a more informed decision? You have 15 minutes

Tell participants the case is on pages 7-8 of their workbooks and they can use Page 8 in their workbooks to record their responses to the questions.

30 min. Step 3: Small Group Work

Once the individual task time is up, tell the group that they will now have a chance to discuss their analysis and hear others views of the same situation. Give the small group task: (perhaps having the groups work in table groups, no more than four groups evenly divided)

In your small group: Discuss your answers to the questions at the end of the case. Be prepared to share some of your discussion with the full group in 25 minutes.

15 min. Step 4: Large Group Discussion of Analysis

Once all groups have had time to discuss their analysis of the case situation, ask the large group what they saw as the reasons the city said yes to the borrowing decision.

Next, pursue from each small group some of their answers to the second question. Avoid having one group give the full report by asking each group What is one thing you think the City needed to know more about to make a more informed decision? Get examples from each group and then summarize the range of things the city needed to consider.

25 min. 5. **Essential Considerations in Making a Borrowing Decision**

Make a brief presentation on the essential considerations in making a borrowing decision. Refer participants to page 9 in their workbooks.

Credit Financing Considerations **T**Credit has a cost - interest on the money used **T**Scarce resource -- the law says the repayment on all your outstanding loans cannot be greater than 20% of your current revenues

TLong term commitment

TFirst and most important decision is that you need and want to borrow - not automatically given

TGiven that it s costly and limited, need to make careful and good decisions about whether and how much to borrow

Make the point that no one else is going to look after your finances - it s your and your staff s job.

Refer the participants to page 10 of their workbooks and review the following as well using the talking points that follow:

Reasons to borrow

& You borrow to finance investments.

& You borrow to finance investments that provide tangible benefits that are important to your community.

& You borrow when the useful life of the investment exceeds the term of the loan

& You borrow when your debt service on all outstanding loans is 20 percent or less of your current revenues

& You borrow in the international markets only after obtaining prior approval from the special commission created by the Law on Local Public Finances

You borrow to finance investments. You do not borrow to pay for current expenditures. For example, you borrow to pay for a new water treatment plant or new trams. You do not borrow to pay for the staff of your local or county council. *You borrow to finance investments that provide tangible benefits that are important to your community*. For example, you borrow to pay for the expansion of the water system serving your community. You do not borrow to pay for land that has no immediate use.

You borrow when the useful life of the investment exceeds the term of the loan, that is, when you will still receive benefits from the investment after you have finished paying off the loan. For example, you can agree to repay a loan over five years to pay for a new heating plant that will operate for fifteen years. You do not agree to repay a loan over ten years to pay for equipment that you will have to replace after five years.

You borrow when your debt service on all outstanding loans is 20 percent or less of your current revenues, as required by the Law on Local Public Finances.

You borrow in the international markets only after obtaining prior approval from the special commission created by the Law on Local Public Finances.

Refer the participants to page 11 of their workbooks and make the following points on the reasons not to borrow.

Regarding ***the needs of your community***, you should not borrow if: & you have not ranked all pending investments according to their importance to your community & you are not sure that you will be able to finance other investments that are more important to your community & you have not determined that the investment is the least costly option available to address an outstanding need or problem in your community Regarding ***the loan itself***, you should not borrow if: & you have not explored the use of less expensive means of financing the investment & you do not know if the project itself can generate revenues to repay all or part of the cost of the investment & you do not know your debt carrying capacity & you do not know or do not understand all the terms of the loan

15 min. 6. **Lessons Learned**

Summarize what we ve covered thus far, and give the following task:

Individually: What do you want to pay more attention to in

Make some notes on Page 12 of the workbook.

5:00 pm End of Day -- note that tomorrow morning we will be moving to the next element of our framework, Preparing to Borrow. Ask the participants to read pages 13-28 on debt carrying capacity in the evening.

Day Two

Session 3 **Preparing to Borrow** **4 hours**

Begin day at 8:30 am.

[Trainer note: This morning s session begins with an interactive presentation, wherein you will be giving a lot of information to participants and at the same time, engaging them in some discussion by asking questions periodically during your presentation. In the latter part of the morning, you will be working with the second part of the case study.]

5 min. 1. **Introduction**

Explain that this session will focus on what is involved in preparing to borrow. Remind the group that in the case study these steps were skipped by the municipality. Review the session objectives

Session Objectives
< Explain how to determine how much a local authority can afford to borrow
< Discuss how to ensure that you select the right project and the most appropriate option for financing that project

10 min. 2. **Overview of Topic**

Begin this session by reminding participants that we ended the day yesterday talking about some of the key issues in borrowing. One of these issues is that the amount you can borrow is limited, and therefore you must choose wisely how to use that limited resource.

Review as well the framework and the portion of it that is addressed in this session. Briefly outline that Preparing to Borrow involves a consideration of the following:

Preparing to Borrow
3. How do I determine how much I can borrow?

< Financial analysis
< Debt carrying capacity
< Sources of revenues for repayment -- what fees and taxes can be used ?

4. How do I select what I borrow for?
< Capital investment planning -- economic development over the long term
< Choosing the right project -- criteria for prioritization of projects
< Role of citizen participation -- how to inform and engage the citizens

5. How do I design a technically and financially sound project?
< Feasibility studies
< Role of engineering and financial consultants
< Role of the local service provider

Alert participants that we will be working with some key terms this morning, and our aim is to have a better understanding of what each of these mean and the role they play in the credit financing process.

35 min. 3. **How do I determine how much I can borrow?**

Trainer Note: This presentation is based on pages 13-28 in the participants workbook. The issue of debt carrying capacity is at the heart of local credit and is therefore treated in more detail than other topics in the Foundation Course. You should ask the participants to read pages 13-28 in the evening at the end of Day 1 in order to better understand this presentation. You will need to refer to those pages to prepare this presentation. What is provided in the text is the outline for the presentation.

Talking points for this presentation. (Tell participants this presentation is based on pages 13-28 in the workbook.) Be sure to do this presentation in an interactive way by referring to Tables 1 and 2 (pages 22-23) and asking questions to ensure understanding.

For local and judet councils, the amount you can borrow is driven by your Debt Carrying Capacity. Share the definition of Debt Carrying Capacity that is outlined in the Municipal Credit Handbook:

Debt Carrying Capacity of the local or judet council is determined by how much you can set aside from your recurring revenues each year over the next several years in order to make annual debt service payments.

The current way of presenting financial information does not provide the information needed to determine debt carrying capacity. Review the current way in Table 1 and a modified way in Table 2 and point out the main differences. Say that Table 2 rearranges the same data, but provides the information to local councils to determine debt carrying capacity.

Using Table 2, explain the concepts of recurring or current revenues, current expenditures, and operating or current surplus.

In Romania today, ***recurring or current revenues*** include the funds you obtain from local taxes, shared wage taxes, and the equalization grants provided from the State budget.

Using Table 3 (page 24 of the workbook), explain the concept of annual debt service.

Annual Debt Service is the total amount you will be required to pay in principal and interest in a given year to meet the terms of your loan agreement.

Be sure to make the point that debt service payments should be made from recurring revenues. State that when you sign a loan contract, you agree to make annual debt service payments over several years. You will need to make sure you have funds each year to make these payments. The safest and most prudent approach is to rely only on those funds that you know will be available i.e. your recurring or current revenues. A note of caution: you will be planning to pay for your debt service out of your recurring revenues, which are the same revenues that pay for services that you provide to your community such as maintenance of streets, schools and parks. These are also the revenues you use to pay your administrative costs, such as salaries of your employees.

Explain the concept of annual debt service ratio:

$$\text{Debt service ratio} = \frac{\text{annual debt service}}{\text{total recurring revenues}}$$

Remind the group that the Law on Local Public Finance limits debt service ratio to 20%.

Since you will pay your annual debt service from current revenues, you need to know your ratio of operating surplus (deficit).

$$\text{Operating surplus ratio} = \frac{\text{operating surplus}}{\text{total current revenues}}$$

If you have an operating deficit, you may want to defer the decision to borrow until you have analyzed the causes.

The debt carrying capacity of the local or judet council is determined by how much you can set aside from current revenues each year to make your annual debt service payments. This is defined by how much you can pay annually, not by how much you can borrow.

Debt carrying capacity tells you how much your local or judet council can borrow to pay for investments while relying exclusively on your own revenues. Often, it will be the case that one or more of the projects you have in mind will generate their own revenues once they have been completed. The revenues also can be used to pay the debt service on a loan that would provide additional funding to pay for investments. In this case, the borrower would be the *regia* or company that will implement the project.

This may still affect your debt carrying capacity if the lender asks the local or judet council to guarantee the loan provided to the company or regia that will be the actual borrower. Lenders will take the guarantee into account when they decide how much they think you can afford to borrow to finance other investments. Also, if the borrower fails to pay and your guarantee becomes effective, this will count against the 20% limit established by law.

75 min. 4. **Case Study: Part Two**

To give the participants some practice with the concept of debt carrying capacity, we will now return to our case study. Give the following task.

> In pairs:
>
> Look at Tables 4, 5, and 6 (pages 25-27) that represent three different scenarios and answer the following:
>
> What is the operating surplus for each scenario for 1999, 2000, and 2001?
>
> Calculate the debt service ratio for each scenario for 1999, 2000, and 2001 (as a percentage)
>
> What is the relationship between the operating surplus and debt service ratio?
>
> What measures has the city taken under each scenario to maintain its ability to borrow?
>
> What risks does the city face in each scenario?
>
> You have 30 minutes

Review the answers to each question one at a time. Ask a few pairs for their answers to the first question and then discuss. After discussing the answers to the first question, move to the second question and discuss in the same manner. And so on.

The answers to the second question on debt service ratios for each of the three scenarios in 1999, 2000, and 2001 are as follows:

	1998	**1999**	**2000**	**2001**	**2002**
1998 Data - Table 2	8.1%				
Scenario A - Table 4		n/a	5.3%	4.8%	4.4%
Scenario B - Table 5		n/a	7.1%	7.0%	
Scenario C - Table 6		n/a	9.1%	10.45	

As you lead the discussion, make sure the following points are made in response to the questions.

1. The debt service ratio is lower than the operating surplus ratio for all three years in all three scenarios.

2. Both operating and capital expenditures have been adjusted to the anticipated current revenues:

   In Scenario A the city can afford to increase operating expenditures across the board, while also undertaking investment in addition to the planned project.

   In Scenario B the city has had to plan for operating expenditures at more or less their level in 1998, except for public works and housing where it is planning a reduction in spending in 2000. The project that will be financed with the loan can go ahead, but the city can afford little else in terms of investments.

   In Scenario C the city has cut operating expenditures across the board, except for its own administrative expenses, where they anticipate an added burden in terms of oversight of spending cuts. The city has tried to maintain spending for school maintenance and repairs at close to 1998 levels. To do this, they are planning drastic cuts in spending for public works and housing. The city also has cut back on the size of the project it will finance with the loan by limiting it to phase one of the improvements.

3. The scenarios illustrate both the impact of a decision to borrow on spending for services and the cost in future years of the annual debt service.

   T In Scenario A planned operating expenditures are growing at a faster rate than current revenues. As a result, the operating surplus ratio is on a declining trend. In fact, if these trends were to continue, the city would face an operating deficit in 2002. (Show added page to Scenario A with projected results for 2002.) The city would not be in a position to meet its annual debt service from current revenues. The city might have to adopt measures to reduce services to the community. This could be difficult to explain to local residents who are aware of the fact that the local economy has benefitted from the privatization of the plant. The alternative might have been to increase operating expenditures at a lower rate between 1999 and 2001.

   T In Scenario B the city appears to have balanced the respective rate of growth of current revenues and of operating and capital expenditures. This has been done at a cost in terms of quality and quantity of services provided to the community. If local residents do not understand the need to borrow to finance the planned project, they might not accept the deterioration in services.

T Scenario C is an extreme case of the risks inherent in Scenario B. However, it also illustrates a successful effort to adjust spending to a new, lower level of revenues. Note that this is the only scenario in which the operating surplus ratio is on a rising trend. In effect, the city has learned to live within its means, despite the economic crisis.

4. By preparing scenarios that include all possible variations on the future of the local economy, the city has been able to anticipate what measures it will have to adopt in each case. It knows the risks and has a plan to address them. It can proceed with the loan with reasonable confidence in its evaluation of its debt carrying capacity. Imagine what might have happened if the projections had not included Scenario C. It is prudent to anticipate what can go wrong, even if it is unlikely or not very desirable. The best way to deal with a crisis is to prepare for it.

Next ask What have you learned about debt carrying capacity? Hopefully there will be comments related to their insights into the need to assess debt carrying capacity carefully and the longer term implications of the loan for their annual finances. At the conclusion of some group discussion, summarize comments.

30 min. 5. **Capital Investment Planning**

Recognize that what we ve done so far is figure out how much your local or judet council can borrow to pay for investments while relying exclusively on its own revenues. This is only part of the process you should follow in making decisions about investments in your community.

The process of determining what investments are most important for your community and how to finance them is called Capital Investment Planning. Do a presentation on the steps involved in Capital Investment Planning.

The CIP serves several important functions for local governments in Romania including: (Direct participants to page 29 in their workbooks)

Purpose of Capital Investment Planning

< Providing a comprehensive view of your needs and possibilities

< Providing a financial management tool

<   Providing a Reporting Document

Providing a comprehensive view of your needs and possibilities: A basic function of the CIP is to bring together both representatives from City Hall and the *Regii* to plan and budget for all your capital investment needs. Together, they can consider what to buy, what to build, what to repair, when to build or repair and how to finance these costs.

Providing a financial management tool: A key concern in developing the CIP is to prioritize current and future needs to fit within the financial constraints of the local government. Capital investment planning considers not only what a community needs but, equally important, what it can afford. Developing a CIP based on realistic estimates of funding for investments available from all sources is very different than developing a wish list of projects that cannot be fully implemented. The CIP puts you in control of all your investment decisions.

Providing a Reporting Document: The document that is produced following the CIP process provides a clear description of the proposed projects that will be undertaken over the course of the planning period. This document communicates to citizens, businesses and other interested parties the local government s capital priorities and plans for carrying out projects. The community has a better understanding of the local government s plan for capital spending and can make more informed decisions.

Ask the group: What could be the advantage of doing these three things? Get some of their thoughts on the benefits of developing a Capital Investment Plan.

Add to what they have said with the following points: (Tell them these points are on page 30 of their workbook)

TA CIP focuses attention on a local government s goals, needs and financial capability.

TA CIP builds broad scale public awareness of the need for effective local planning

TA CIP improves cooperation and communication between City Hall and the *Regii*.

TA CIP can help local governments avoid costly infrastructure mistakes.

TA CIP helps local governments enhance their financial stability.

Use the following as support for your presentation:

There are many advantages that a local government can gain from developing a CIP.

A CIP focuses attention on a local government s goals, needs and financial capability. Through the CIP process, the Mayor, the City Council, the CIP coordinator and Regii decision-makers select projects that will be consistent with community goals and needs. As part of the process, local government officials, *regia* staff and citizens consider the current and future outlook for community development and services needed by citizens and the business community. They also consider the best way to finance the investments, taking into account the debt carrying capacity of the local or judet council as well the degree to which some projects can pay for themselves. This process serves as the basis for determining infrastructure needs to be included in the capital program and for balancing community needs with the ability to pay for the projects from all possible sources of financing.

A CIP builds broad scale public awareness of the need for effective local planning. An important component of the CIP process is to involve citizens in the selection and prioritization of projects. Public participation helps to build support for capital projects as the public gains a better understanding of community needs and of the resources available to meet those needs. Thus, they are more likely to support the program.

A CIP improves cooperation and communication between all local staff involved in the investment program. A capital investment planning process helps to improve cooperation and communication among technical and financial staff in the local and judet council and with *regia* staff. By working together to coordinate and plan for capital investments, the timing, funding and implementation of related projects can be carefully thought through. By coordinating activities capital projects can be organized to best serve the interests of the community as a whole rather than the interests of any one particular group or unit of government.

A CIP can help local governments avoid costly infrastructure mistakes. The CIP process may help a local government to avoid costly errors resulting in failure to anticipate linkages with other projects or insufficient funding. Because projects are considered over several years rather than a single year, local governments are better able to build a consensus on the need for projects before funds are spent. The CIP also encourages consideration of how different phases of a project must be scheduled given available funding (and the timing of that funding) from local sources and from central government transfers in order to complete the project.

A CIP helps local governments enhance their financial stability. By anticipating resources that are necessary to pay for capital projects, the CIP can help to promote financial stability within City Hall. Capital projects are prioritized and scheduled to fit within expected funding levels, thus helping Mayors, finance officers and designated CIP coordinators make better informed investment decisions.

60 min. 5. **Case Study work -- Part III**

To look at the role Capital Investment Planning plays in the credit financing process, we re going to work with the third part of our Case Study, and return to Raisa.

Give the following task: (Tell participants to use pages 31-32 in their workbooks)

Individual task: Read Part Two of the Case Study (Page 31-32 in workbook) Answer the questions at the end: How will capital investment planning help in this decision making process? What are the potential implications of not doing a CIP? Who needs to be involved in the CIP process? You have 15 minutes.

Once the individual work is complete, pair up the participants with a new partner they have not yet worked with. Give the pairs the following task:

Pair Task:

< Share your answers to the questions.

< Be prepared to discuss your analysis with the full group.

You have 20 minutes for this discussion.

At the conclusion of the pair work, get some examples of their answers to the first question:

How will capital investment planning help in this decision making process?

Next, ask the second:

What are the potential implications of not doing CIP?

And last:

Who needs to be involved in the process?
Wrap up the discussion of capital investment planning by providing an overview of the CIP process.

Steps In The CIP Process (on page 33 of the workbook)

Step 1. Establish the Organizational and Policy Framework
* Establish the CIP Organizational Structure
* Develop Programmatic Policies
* Develop Financial Policies

Step 2: Identify Possible Projects
* Review Status of Previously Approved Projects
* Identify and Develop Information for New Projects
* Examine Capital Project Alternatives

Step 3: Identify all potential sources of financing for investments
*Evaluate the debt carrying capacity of the local or judet council
*Perform an initial financial analysis for each project to see what part of the investment can be paid for with revenues generated by the projects themselves

* Identify other funding options

Step 4: Rank and Prioritize Projects

* Review Total Project Opportunities
* Prioritize Capital Projects
* Select and schedule projects and assign funding source(s)

Step 5: Implement and Monitor the Capital Program

* Review Project Milestones and Costs
* Monitor External Environment
* Monitor the Planning Process

Tell the participants that these steps are covered more fully in the Capital Investment Planning Guide and will be dealt with in depth in the follow up course on Capital Investment Planning.

15 min. 6. **Summary and Lessons Learned**

To capture some of their insights, summarize what has been discussed thus far and then, ask participants to make some notes in their workbook on page 34 in response to the following question:

Individual task: Turn to page 34 in your workbook. Make some notes in response to the questions: What are you learning about Capital Investment Planning? What do you want to do when you return to your local or judet council with respect to Capital Investment Planning?

Get some examples of their responses and provide a transition to the next session on the borrowing process.

LUNCH

Session Four: The Borrowing Process 2.5 hours

5 min. 1. **Introduction**

This session is designed to focus on the borrowing process. This includes the development of a project plan, approaching a lender and negotiations. The specific objectives for the session are:

Session Objectives

< Review the basic steps in developing a project

< Explain the steps involved in approaching a lender

< Discuss the key terms and conditions that must be negotiated

15 min. 2. **Project Plan Development**

Begin by saying that in order to manage the process well, you must first do a detailed project plan. Make a short interactive presentation using the following points and tell participants they can take notes on Page 35 in their workbook.

Project Plan Development

, Must conduct a technical feasibility study
, Must conduct a financial feasibility study
, Use outside experts
, Final document reviewed by technical and financial directors

Talking points:

1. Feasibility Study:

< Has two parts:

Technical analysis -- is the project technically feasible, are there technical design options that are less costly or more efficient, how does the choice of technical solutions affect the financial feasibility of the project?

Financial Analysis -- what will it cost to build the project and to operate and maintain it, to what extent can revenues generated by the project once completed pay for all or part of the financing, operating and maintenance costs, what subsidies are required, if any, and can we afford it?

< Performed in preliminary form as part of CIP process
< Done prior to approval of the project
< Used as a basis for decision making -- yours and the bank s
< Use independent consulting firm that is usually hired by the service provider. You don t want the service provider to do it because they may not be able to be sufficiently objective.
< Engineering consulting firms do this.
< Reviewed by the technical and financial directors of the local authority

A preliminary technical and financial analysis should have been completed as part of the CIP process. At that time, information on the projects would have been schematic and incomplete. It is important to prepare a final technical and financial analysis using complete project design and cost data. This is especially important if the revenues generated by the project will be used to repay all or part of the investment financing.

Overall, make the point that NOT doing the two feasibility studies poses risks in the post-borrowing phase since you may have misjudged the resources you will need to complete construction of the project or may discover that project revenues are not sufficient to repay the financing costs.

Answer any questions participants may have about the development of a project plan.

20 min. 3. **Negotiating a Loan**

Remind participants of where we are in the overall framework, that we now are prepared to go to a bank and negotiate financing.

Do a short presentation on the key steps involved: (make the point that these steps do not necessarily occur in this order and that they are on page 36 in their workbooks)

Key steps in negotiating a loan

1. Establish contact with one or more interested lenders or investors
2. Apply for the financing -- meet the requirements of the lender or investor
3. Receive one or more offers of financing
4. Evaluate the offer(s)
5. Select an offer and agree to the terms of the financing
6. Execute the contract(s) required to formalize the financing

Go back after reviewing these briefly to the beginning and make the following additional points:

Establishing Contact -- this may occur either by you seeking out a lender or through an unsolicited offer of financing. Your goal should be to generate choice so you have more than one offer of financing.

Applying for the financing -- each lender will have a unique process for you to follow to complete their formal requirements when applying for financing. In general, there is certain core information that is required. You will have to provide detailed information on the finances of the local or judet council, including current and projected revenues. You will have to harmonize your scheme for reporting your finances with the Bank s requirements.

The next point to cover is that of the interests of the borrower as opposed to the interests of the lender. Ask the group: What are the lenders interests in the financing of a local project? Get some answers and summarize the responses before asking: What are your interests that need to be protected in the financing process?

End with the point that it is only the local authority that is responsible for knowing and protecting its own interests. No one else will be doing it for you.

50 min. 4. **Case Study Work -- Part Four**

To work on the issue of approaching the bank and negotiating financing, we re going to return to Raisa, and our friends with the wastewater improvement project.

Direct participants to the fourth part of the case, page 40-41 in their workbooks.

Give the following task:

> Individually:
>
> 1. Read the case study
>
> 2. Answer the questions at the end:
>
> < What do you need to do to prepare for negotiations with the bank?
>
> < How will you get ready?
>
> < Who should be involved?
>
> You have 10 minutes.

When the individual task is done, tell the group they will work on the case in small groups. Give the following small group task and make sure there are no more than four groups of equal size.

> Small Group Task:
>
> < What do you need to do to prepare for negotiation with the bank?
>
> < How will you get ready?

< Who will be involved?

You have 20 min.

Get reports from the groups on their work, noting the things they are choosing to pay attention to and what they may have missed.

30 min 5. **The Negotiation Process**

Next, do a brief presentation on the Negotiation Process. Highlight the main issues associated with negotiation:

Effective Negotiation Involves:

< Knowing your interests

< Protecting the plan you have and your interests

< Being aware of all the terms and conditions and their full implications

Talking points for this presentation: (Refer participants to pages 37-39 of their workbooks)

T Make sure to obtain in writing from the lender or investor all the terms and conditions of the proposed loan or investment, including the period of time during which the offer will remain valid. Make sure you have information on what contracts or other legal documents you will have to sign. Obtain complete written drafts of all documents well in advance so you have time to evaluate them.

T Ask the lender or investor to explain any terms or conditions in their offer that you do not understand. Consider obtaining advice from experts outside your local or county council if you are not sure you understand or can evaluate the offer.

T Terms and conditions that you should be careful with:

- **i** Fixed versus variable rates: Will the interest rate be fixed for the life of the loan or will it vary? If it will vary, how often will it change, how will the new interest rate be determined, will it be negotiable?
- **i** Loans in *lei* versus loans in a foreign currency: In what currency will

you have to repay the loan? It is extremely difficult to evaluate the cost and risks involved in foreign currency loan.

- Other fees: What fees do you have to pay, if any, to whom and at what point? Fees can add significantly to the total cost of a loan.
- Disbursements: When will you receive the funds? What conditions, if any, must you meet before obtaining a disbursement? Are there any penalties if you do not follow an agreed disbursement schedule?
- Payment of interest and principal: When do you begin to owe interest on the funds? When do you have to begin repaying the principal? This becomes especially important if you will be financing the construction of a project over more than one year. It is especially important if you will be relying on revenues generated by the completed project to repay the loan.

4. Comparison of offers can be complicated. If you succeeded in obtaining more than one offer of financing, the terms and conditions may differ from one offer to another. All the items listed above - fixed vs. variable rates, loans in different currencies, fees, schedule and conditions of disbursement, and so on - have a direct impact on the total cost to you of a particular offer of financing. If you are not sure how to evaluate such costs, obtain expert advice of your own.

5. If you are guaranteeing a loan, be sure to understand the extent of your liability. What is the trigger for the guarantee? That is, at what point do you become responsible for repaying the loan? What remedies do you have? What can you do to protect yourself from poor financial management by the original borrower? Will you have a clear right to obtain timely information on the financial condition of the borrower over the life of the loan? Can you take action before you are forced to assume responsibility for repaying the loan? At least some of these issues will be between you and the borrower. Make sure the lender is aware of them and agrees to them as part of the loan agreement.

6. Finally, terms usually are negotiable. Do not be afraid to ask for alternatives to particular terms you do not like or do not understand. Explore with the lender what guarantees you could offer that might improve the terms and conditions of the loan or investment. For example, in Romania today you can offer to guarantee the loan by pledging part of your revenues. In exchange for new or additional guarantees you should receive an offer of improved terms and conditions from the lender or investor.

As you discuss these points, pause to answer questions from the participants. Use examples to illustrate the points.

15 min. 6. **Summary and Lessons Learned**

To capture what you have learned, turn to page 42 of the workbook and answer the following questions:

Individual Task

Answer the following questions:

< What is important to prepare to borrow?

< What are the key elements of this process you want to pay attention to the next time you are getting ready to borrow?

Take 10 minutes

When the individual task is finished, get some examples of the responses and close for the day.

Day Three

Begin the day at 8:30

Session Five: Post-Borrowing 3 hours

5 min. 1. **Introduction**

Tell the group that this session will focus on the final phase -what happens after the loan is approved. Specifically this session will focus on the following:

Session Objectives

< Discuss the importance of communicating key information about the loan to citizens

< Determine what is involved in monitoring the loan

10 min. 2. **Review**

Begin this session by reviewing the parts of the Municipal Credit Framework that have been covered thus far, and highlight those we will be working with today:

Post Borrowing

9. How do I communicate the loan to all stakeholders?

10. How do I monitor the loan?
    - < Relationship with the local service provider
    - < Compliance with terms and conditions
    - < Project monitoring

11. How do I ensure that I will have the continuing capacity to meet loan repayment obligations?
    - < Preparing a multi-year financial strategy
    - < Financial policies - what they are, how they can help me

30 min. 3. **Presentation on Elements of Post Borrowing**

Give a presentation on what needs to happen once the loan has been approved. Getting approval is not the only goal! Review the following two areas, and use the discussion points that follow to elaborate:

Post Borrowing
Communicating with the Community
Monitoring the Loan

Community Communication - once the loan has been approved, it s important to be transparent and thorough in your communication with citizens of the community. They have a vested interest in the opportunities and obligations the loan provides. Key messages to consider as part of your communication include:

% We should celebrate. We did it!
% Securing this financing demonstrates that the local government is fiscally sound enough to borrow.
% These resources allow us to serve you better
% We have a plan to pay for it. Here s how that will happen.

Ask the group, what else do you think the citizens would want to know about the loan? Get some examples of what they would add to the list and then move on.

Discuss the second aspect of the Post-Borrowing phase, Monitoring the Loan, using the following:

> Whether you are the borrower or a guarantor, monitor very carefully the progress in time and cost of the project you are financing with the loan.
>
> If you are the guarantor, be sure to monitor the following:
>
> < performance of the borrower
>
> If you are the borrower, be sure to monitor the following

<   debt service schedule on all your loan portfolio

Refer participants to pages 43-44 of their workbooks.

Whether you are the borrower or a guarantor, monitor very carefully the progress in time and cost of the project you are financing with the loan. If there are strict conditions regarding the schedule of disbursements there may be penalties to pay for a delay in drawing down the funds. Once the borrower begins to pay interest on the funds, construction delays will be very costly. The revenues from the completed project may be required to repay the loan or investment. Delays, or worse yet, a failure to complete the project can have serious consequences. If final costs exceed the original estimates, do you have access to other funds to complete the project?

If you are the guarantor, be sure to monitor the performance of the borrower. Is the borrower in compliance with all the terms and conditions of the various contracts and agreements? Obtain complete and timely information from the borrower so that you can anticipate their ability to meet their future obligations to the lender or investor. If there appear to be problems, ask the borrower to take corrective actions in time to avoid triggering your guarantee.

Monitor the debt service schedule on all your loan portfolio carefully. For the current year, be aware of the dates when payments are due. Monitor the rest of your budget very carefully. Look for expenditures that are higher than expected or for revenues that are lower than expected. Will you have sufficient cash on hand? What will you do if your revenues from taxes or other sources are delayed or are less than you anticipated? Look forward to anticipate potential problems. If you have a variable interest loan, how likely is it that interest payments may increase? If you are paying in a foreign currency, how likely is that it may become more expensive for you to buy that currency. Have a contingency plan. Determine in advance what other expenditures you can defer if necessary. Consider getting a short-term line of credit with the State Treasury or with a local bank. At least once a year, probably when you are preparing the budget for the next year, look three or four years into the future. Consider the same questions as above. Plan what you can do today to minimize future risk and to prepare contingencies for unanticipated problems.

Ask if participants have any questions about what you have presented and respond accordingly. Next, prepare the participants for their work with Part Five of the case study.

50 min. 4. **Case Study Task - Part Five**

Tell participants that we will now return to Raisa and explore their Post Borrowing scenario in Part Five of the Case Study (page 45-47 of the workbook). Divide the full group into four groups of equal size. Assign two groups the Communication task, two groups the Monitoring task below:

Communication Task:

Read the case study and answer the following:

< Who needs to know about the financing and the project?

< What do they want to know that would be important to communicate to them?

Monitoring Task:

< What do you need to monitor?

< How will you get the information you need to monitor effectively?

Give the groups 30 minutes for this task.

At the conclusion of the small group work, get the reports from the Communication Task groups first. Let one group share their strategy, then listen to the second group and ask the full group what these two groups are suggesting about communication. Note differences in their two reports and explore those items that didn t appear on both by asking for more elaboration about the importance of those items in the communication approach.

Next, get the reports from the Monitoring groups in the same fashion and discuss their reports with the full group as well.

15 min. 5. **Summary and Lessons Learned**

Turn to page 48 in your workbooks and carry out the following task.

Individually:

What have you learned about the post-borrowing phase?

Ask participants for some examples of their responses.

Summarize the main points from this session. Provide a transition to the final session on application planning.

Session Six: Lessons Learned and Planning for Application 2 hours

15 min. 1. **Introduction**

Tell participants that this session is critical to their getting maximum benefit out of the training they have received. Learning something new is important, but knowing what you will do with what you have learned is the key to benefitting from that learning. Review the objectives for the concluding session.

Session Objectives
< Capture the key lessons learned during the workshop
< Plan how you will apply what you have learned
< Evaluate the workshop

Briefly review the broad content areas of the course, reminding participants of the range of presentations, activities, discussions that have been held to foster their learning about the topics. Review again the framework for Municipal Credit.

Understanding Borrowing

1. What is borrowing and how does it work?
2. Why should I borrow?

Preparing to Borrow

3. How do I determine how much I can borrow?
4. How do I select what I borrow for?
5. What is the importance of a technically and financially sound project?

The Borrowing Process

6. How do I approach a lender?
7. What does a financing deal look like?
8. How do I negotiate a loan?

Post Borrowing

9. How do I communicate the loan to all stakeholders?
10. How do I monitor the loan?
11. How do I ensure that I will have the continuing capacity to meet loan repayment obligations?

30 min. 2. **Lessons Learned**

Remind the group that throughout the course, they have been taking notes, and capturing their lessons learned as we have worked through each session. Now, it is time to bring all of those lessons together into a plan of action.

Let the participants know that we will be working through a couple of steps to prepare that plan, beginning with the first step:

Give participants the following task:

> Individually:
>
> Complete Page 49 of your workbooks by listing all of your key insights, lessons learned and new awareness you have as a result of this training that you want to take back to your city with you.

Give participants 15 minutes for this task.

At the conclusion of their individual work time, give the following task:

> In Pairs:
>
> < Share your lessons learned with your partner.
>
> < Listen to what each other has discovered during this course.

Give the pairs at least 10 minutes for this discussion. At the conclusion of their discussion, you want to create a list of the key lessons learned from this course. Ask participants to share one thing from their list with the whole group, and write them down on flip chart under a heading Lessons Learned. Get as many as you can so the group can see all the things they are taking back with them as a result of this course.

Next, move on to the next step of preparing an Action Plan.

60 min. 3. **Application Planning**

Tell participants that it is up to them to use what they have learned effectively. How they do that is up to them. Share with the participants the planned in depth training they will be offered to supplement what they have learned in this foundation course.

Give them the following task:

> Application Planning Task:
>
> < Review the notes you have taken during this course, paying particular attention to the pages where you noted Lessons Learned.
>
> < Complete Page 50 in your workbook entitled Planning for Application.
>
> You have 15 minutes.

City Group Consultation and Planning

If the participants have come to the course with a small group from their city or municipality, this next step helps them begin their planning process together.

Tell participants that they will be meeting in groups with their colleagues from their municipality. Give the following task:

> In your home groups:
>
> < Each person take a turn sharing what they have written for their plan.

< Together, agree on the next steps you will take to better prepare yourselves for entry into the municipal credit market.

You have 30 minutes for this discussion.

When all of the groups have completed their discussions, get examples from each of what they will be doing when they get back to their cities.

10 min. 4. **Course Conclusion**

Tell participants that this brings the course to a close. Distribute the evaluation forms (pages 51-52) and ask them to leave their completed forms with you before departing.